

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended, (V.I. 07)

Unit Name* Township of Hardy	County* LIVINGSTON	Type* TOWNSHIP	MuniCode* 47-1-080
Opinion Date-Use Calendar* Dec 18, 2008	Audit Submitted-Use Calendar* December 18, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ? \$ 966,974.00

General Fund Expenditure: ? \$ 883,892.00

Major Fund Deficit Amount: \$ 0.00

General Fund Balance: ? \$ 1,073,884.00

Governmental Activities
Long-Term Debt (see instructions): ? \$ 331,475.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Steven	Last Name* Presko	Ten Digit License Number* 1101026796		
CPA Street Address* 544 Cherboung, Suite 200	City* Lansing	State* MI	Zip Code* 48917	Telephone* +1 (517) 323-7500
CPA Firm Name* Maher, Costerisan & Ellis, P.C.	Unit's Street Address* P.O. Box 189	Unit's City* Fowlerville	Unit's Zip* 48836	

TOWNSHIP OF HANDY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
YEAR ENDED JUNE 30, 2008

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Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Township of Handy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, State of Michigan as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Handy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Handy, State of Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iv through xvi and 27 and 28 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Maner, Costerisan & Ellis, P.C.

December 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Township of Handy (Township), we offer readers of the Township of Handy's financial statements this narrative overview and analysis of the financial activities of the Township of Handy for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$12.3 million dollars (net assets). Of this amount, \$9.1 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$126 thousand dollars.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1.1 million, an increase of \$110 thousand in comparison with the prior year. Approximately \$876 thousand is available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$876 thousand, or 99 percent of total general fund expenditures.
- The Township's total long-term liabilities decreased \$518 thousand. The decrease was due to the Township making the required debt payments based on the repayment schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public works, other activities, and culture and recreation. The business-type activities of the Township include water and sewer activity.

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other governmental fund is combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 4 through 6 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water and sewer activity. The Township does not utilize an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer funds, both of which are considered to be major funds of the Township.

The basic proprietary fund financial statements can be found on pages 7 through 10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 25 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$12.3 million at the close of the most recent fiscal year.

Investment in capital assets represents 26 percent of the Township's net assets (e.g., land, building, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township of Handy's Net Assets

	Governmental activites		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 1,366,295	\$ 1,224,463	\$ 8,253,186	\$ 9,180,723	\$ 9,619,481	\$ 10,405,186
Capital assets	705,430	638,194	10,735,393	10,523,798	11,440,823	11,161,992
Total assets	2,071,725	1,862,657	18,988,579	19,704,521	21,060,304	21,567,178
Long-term liabilities outstanding	301,094	310,000	7,465,000	7,975,000	7,766,094	8,285,000
Other liabilities	264,158	210,860	727,714	894,637	991,872	1,105,497
Total liabilities	565,252	520,860	8,192,714	8,869,637	8,757,966	9,390,497
Net assets:						
Invested in capital assets, net of related debt	373,955	308,194	2,839,693	2,122,963	3,213,648	2,431,157
Restricted	10,574	9,582	-	-	10,574	9,582
Unrestricted	1,121,944	1,024,021	7,956,172	8,711,921	9,078,116	9,735,942
Total net assets	\$ 1,506,473	\$ 1,341,797	\$ 10,795,865	\$ 10,834,884	\$ 12,302,338	\$ 12,176,681

An additional portion of the Township's net assets (0.08 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$9.1 million) may be used to meet the government's ongoing obligations to citizens and creditors, however, \$7.5 million is for special assessments and will be received over 20 years.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The restricted governmental fund net assets increased by \$992 which arose from increases in the debt service fund amounts restricted by source of revenue such as debt payment.

The government's net assets increased by \$126 thousand during the current fiscal year. About 100 percent of this increase is attributed to ongoing revenues having outstripped similar increases in ongoing expenditures.

Governmental activities. Governmental activities increased the Township's net assets by \$164,676, thereby accounting for 100 percent of the total growth, while the business-type activities net assets decreased by \$39,019. Key elements of this increase are as follows:

Township of Handy's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 15,721	\$ 12,517	\$ 132,611	\$ 165,491	\$ 148,332	\$ 178,008
Capital grants and contributions	-	-	409,314	434,838	409,314	434,838
General revenues:						
Property taxes	592,758	530,218	-	-	592,758	530,218
State sources	281,362	275,546	-	-	281,362	275,546
Investment earnings	37,205	81,791	30,929	62,339	68,134	144,130
Rental income	44,156	44,286	-	-	44,156	44,286
Other	19,888	22,969	-	-	19,888	22,969
Total revenues	<u>991,090</u>	<u>967,327</u>	<u>572,854</u>	<u>662,668</u>	<u>1,563,944</u>	<u>1,629,995</u>
Expenses:						
General government	428,691	419,583	-	-	428,691	419,583
Public works	250,792	195,712	-	-	250,792	195,712
Community and economic development	73,339	89,248	-	-	73,339	89,248
Culture and recreation	27,189	27,727	-	-	27,189	27,727
Other	32,215	19,557	-	-	32,215	19,557
Interest on long-term debt	14,188	15,353	-	-	14,188	15,353
Water	-	-	81,145	84,100	81,145	84,100
Sewer	-	-	530,728	524,733	530,728	524,733
Total expenses	<u>826,414</u>	<u>767,180</u>	<u>611,873</u>	<u>608,833</u>	<u>1,438,287</u>	<u>1,376,013</u>
Increase in net assets	164,676	200,147	(39,019)	53,835	125,657	253,982
Net assets, beginning of year	<u>1,341,797</u>	<u>1,141,650</u>	<u>10,834,884</u>	<u>10,781,049</u>	<u>12,176,681</u>	<u>11,922,699</u>
Net assets, end of year	<u>\$ 1,506,473</u>	<u>\$ 1,341,797</u>	<u>\$ 10,795,865</u>	<u>\$ 10,834,884</u>	<u>\$ 12,302,338</u>	<u>\$ 12,176,681</u>

- Property taxes increased by \$62,540 (12 percent) during the year. Most of this increase is the product of increases in the taxable value of property.
- Investment earnings decreased \$44,586 (55 percent) during the year. Most of this decrease is due to cashing out the certificates of deposits and holding the funds in accounts that earned a smaller interest rate.
- Overall government activities revenue is up \$23,763 from prior year due to the above mentioned changes in revenue.
- Expenses for governmental activities went from \$767 thousand to \$826 thousand, an increase of \$59 thousand. A majority of the increase is due to increase funding allocated for road repair and maintenance.

Business-type activities. Business-type activities decreased the Township's net assets by \$39,019. Key elements of this increase are as follows.

- **Charges for services** - Charges in services decreased by \$32,880, due to less customer consumption of water in the current year. The Township educated the customers on how the bills were calculated, thus the customer used less water.
- **Investment earnings** - Investment earnings decreased by \$31,410.

The contributions received helped limit the combined operating loss of the water and sewer fund of \$126,799.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balance of \$1.1 million, an increase of \$110 thousand in comparison with the prior year. Approximately all of the total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion although special revenue and capital projects funds generally are limited to types of expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$14,065), or 2) for a variety of other designated purposes (\$198,178).

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$876 thousand, while total fund balance reached \$1.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 99 percent of total general fund expenditures, while total fund balance represents 121 percent of that same amount.

The fund balance of the Township's general fund increased by \$109 thousand during the current fiscal year. The key factor in this increase are as follows:

- Township departments were very conservative when making purchases.

The debt service fund has a total fund balance of \$14,065, all of which is reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$769.

Proprietary funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets for the water and sewer funds at the end of the year amounted to \$7.9 million. The total decrease in net assets amounted to \$39,019. Other factors concerning the finances of this fund have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

The final amended budget remained consistent with the original budget, however individual categorical changes can be summarized as follows:

- \$42,022 increase in general government activities
- \$9,931 increase in public works
- \$45 increase in community and economic development
- \$51,998 decrease in other activities and other financing sources

The main reason for the changes resulted from reallocating expenses across the different governmental activities. During the year actual revenue received exceeded the budgetary estimates. This arises primarily from increase in property taxes.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounts to \$11.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and building equipment, furniture and equipment, water and sewer systems, and construction in process. The total increase in the Township's investment in capital assets for the current fiscal year was 2 percent (a 10 percent increase for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Continued construction of the West Grand River sewer project in the amount of \$275,640.
- Remodeling the Township office building for \$77,088.

Township of Handy's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 20,000	\$ 20,000	\$	\$	\$ 20,000	\$ 20,000
Building and building equipment	644,396	590,694			644,396	590,694
Furniture and equipment	41,034	27,500	4,856	13,181	45,890	40,681
Sewer and water mains	-		5,457,899	5,513,619	5,457,899	5,513,619
Construction in process	-		5,272,638	4,996,998	5,272,638	4,996,998
	<u>\$ 705,430</u>	<u>\$ 638,194</u>	<u>\$ 10,735,393</u>	<u>\$ 10,523,798</u>	<u>\$ 11,440,823</u>	<u>\$ 11,161,992</u>

Additional information on the Township's capital assets can be found in Note 4 on pages 19 and 20 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total long-term debt outstanding of \$8.3 million. Of this amount, \$8.3 million comprises debt backed by the full faith and credit of the government. The amount of \$8.0 million of the Township's debt represents bonds secured solely by specified special assessments. The remaining \$331 thousand represents other long-term items.

Township of Handy's Outstanding Debt
General Obligation Bonds and Capital Leases

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation	\$ 310,000	\$ 330,000	\$ -	\$ -	\$ 310,000	\$ 330,000
Capital leases	21,475	-	7,975,000	8,485,000	7,996,475	8,485,000
Total	<u>\$ 331,475</u>	<u>\$ 330,000</u>	<u>\$ 7,975,000</u>	<u>\$ 8,485,000</u>	<u>\$ 8,306,475</u>	<u>\$ 8,815,000</u>

The Township's total debt decreased by \$508 thousand (6 percent) during the current fiscal year. The key factor in this decrease was timely payments based on the repayment schedules.

Additional information on the Township's long-term debt can be found in Note 6 on pages 21 through 24 of this report.

Economic Factors and Next Year's Budgets and Rates

These factors were taken into consideration when preparing the fiscal year 2009 budget. Township of Handy's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township is described as "a growing economic base with a sound financial position and minimal capital needs". The Township has a conservative and financially prudent budget for the fiscal year 2009 that also promotes and funds numerous project objectives that have been set by the Township's Strategic Plan.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2009 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating a slow increase in interest rates.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should contact the Township of Handy's Office at (517) 223-3228.

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF HANDY
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Primary Government		
	Governmental activities	Business-type activities	Total
ASSETS			
CURRENT ASSETS:			
Cash	\$ 717,782	\$ 527,316	\$ 1,245,098
Cash held in trust at Livingston County	-	319,504	319,504
Investments	12,750	-	12,750
Receivables:			
Accounts	131,241	35,879	167,120
Special assessment - interest	-	232,563	232,563
Special assessment - current	-	483,535	483,535
Internal balances	486,289	(486,289)	-
Prepaid expenditures	18,233	-	18,233
TOTAL CURRENT ASSETS	1,366,295	1,112,508	2,478,803
NONCURRENT ASSETS:			
Deferred charges:			
Unamortized bond discounts		79,300	79,300
Special assessments - deferred		7,061,378	7,061,378
TOTAL NONCURRENT ASSETS		7,140,678	7,140,678
CAPITAL ASSETS:			
Land and construction in progress	20,000	5,272,638	5,292,638
Other capital assets, net of accumulated depreciation	685,430	5,462,755	6,148,185
TOTAL CAPITAL ASSETS	705,430	10,735,393	11,440,823
TOTAL ASSETS	2,071,725	18,988,579	21,060,304
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	209,724	103,411	313,135
Accrued salaries and related items	20,562	-	20,562
Accrued interest	3,491	27,589	31,080
Contract retainers payable	-	86,714	86,714
Current portion of long term obligations	25,000	-	25,000
Current portion of capital lease	5,381	510,000	515,381
TOTAL CURRENT LIABILITIES	264,158	727,714	991,872
NONCURRENT LIABILITIES:			
Noncurrent portion of long term obligations:			
Other long-term debt	285,000	-	285,000
Capital lease	16,094	7,465,000	7,481,094
TOTAL NONCURRENT LIABILITIES	301,094	7,465,000	7,766,094
TOTAL LIABILITIES	565,252	8,192,714	8,757,966
NET ASSETS:			
Invested in capital assets net of related debt	373,955	2,839,693	3,213,648
Restricted for debt service	10,574	-	10,574
Unrestricted	1,121,944	7,956,172	9,078,116
TOTAL NET ASSETS	\$ 1,506,473	\$ 10,795,865	\$ 12,302,338

See notes to financial statements.

**TOWNSHIP OF HANDY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets			
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			
					Governmental activities	Business-type activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 428,691	\$ -	\$ -	\$ -	\$ (428,691)	\$ -	\$ (428,691)	
Public works	250,792	15,721	-	-	(235,071)	-	(235,071)	
Community and economic development	73,339	-	-	-	(73,339)	-	(73,339)	
Culture and recreation	27,189	-	-	-	(27,189)	-	(27,189)	
Other	32,215	-	-	-	(32,215)	-	(32,215)	
Interest on long-term debt	14,188	-	-	-	(14,188)	-	(14,188)	
Total governmental activities	826,414	15,721	-	-	(810,693)	-	(810,693)	
Business-type activities:								
Water	81,145	55,525	-	-		(25,620)	(25,620)	
Sewer	530,728	77,086	-	409,314		(44,328)	(44,328)	
Total business activities	611,873	132,611	-	409,314		(69,948)	(69,948)	
Total primary government	\$ 1,438,287	\$ 148,332	\$ -	\$ 409,314	(810,693)	(69,948)	(880,641)	
General revenues:								
Taxes:								
Property taxes, levied for general purposes					592,758	-	592,758	
State sources					281,362	-	281,362	
Investment earnings					37,205	30,929	68,134	
Rental income					44,156	-	44,156	
Other					19,888	-	19,888	
Total general revenues					975,369	30,929	1,006,298	
Change in net assets					164,676	(39,019)	125,657	
Net assets, beginning of year					1,341,797	10,834,884	12,176,681	
Net assets, end of year					\$ 1,506,473	\$ 10,795,865	\$ 12,302,338	

See notes to financial statements.

**TOWNSHIP OF HANDY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Nonmajor governmental fund Debt service	Total governmental funds
ASSETS			
ASSETS:			
Cash	\$ 716,467	\$ 1,315	\$ 717,782
Investments	-	12,750	12,750
Receivables:			
Accounts	131,241	-	131,241
Due from other funds	486,289	-	486,289
Prepaid expenditures	18,233	-	18,233
TOTAL ASSETS	\$ 1,352,230	\$ 14,065	\$ 1,366,295
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 209,724	\$ -	\$ 209,724
Accrued salaries and related items	20,562	-	20,562
Deferred revenue	48,060	-	48,060
TOTAL LIABILITIES	278,346	-	278,346
FUND BALANCES:			
Reserved for debt service		14,065	14,065
Reserved for prepaid expenditures	18,233	-	18,233
Designated for subsequent years' expenditures	179,945		179,945
Unreserved, undesignated	875,706	-	875,706
TOTAL FUND BALANCES	1,073,884	14,065	1,087,949
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,352,230	\$ 14,065	\$ 1,366,295
Total governmental fund balances			\$ 1,087,949
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
Cost of the capital assets		\$ 957,781	
Less accumulated depreciation		<u>252,351</u>	
			705,430
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:			
Other long-term debt			(310,000)
Capital lease agreement			(21,475)
Accrued interest			(3,491)
Balance of state revenue sharing at June 30, 2008, less allowance for doubtful accounts, expected to be collected after September 1, 2008			
			<u>48,060</u>
Net assets of governmental activities			<u>\$ 1,506,473</u>

See notes to financial statements.

**TOWNSHIP OF HANDY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	General	Nonmajor governmental fund Debt service	Total governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ 592,758	\$ -	\$ 592,758
Licenses and permits	13,610	-	13,610
Charges for services	2,111	-	2,111
Investment earnings	36,436	769	37,205
Rental income and royalties	9,745	34,411	44,156
Other	32,466	-	32,466
Total local sources	687,126	35,180	722,306
State sources	279,848	-	279,848
Total revenues	966,974	35,180	1,002,154
EXPENDITURES:			
Current:			
General government	500,357	-	500,357
Public works	250,792	-	250,792
Community and economic development	73,339	-	73,339
Culture and recreation	27,189	-	27,189
Other	32,215	-	32,215
Debt service:			
Principal repayment	-	20,000	20,000
Interest expense	-	14,411	14,411
Total expenditures	883,892	34,411	918,303
EXCESS OF REVENUES OVER EXPENDITURES	83,082	769	83,851
OTHER FINANCING SOURCES (USES):			
Proceeds from capital lease agreement	25,905	-	25,905
Net change in fund balances	108,987	769	109,756
FUND BALANCES:			
Beginning of year	964,897	13,296	978,193
End of year	\$ 1,073,884	\$ 14,065	\$ 1,087,949

See notes to financial statements.

TOWNSHIP OF HANDY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 109,756
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(35,757)
Capital outlay	102,993
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Beginning of the year	(59,124)
End of the year	48,060
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable beginning of the year	3,714
Accrued interest payable end of the year	(3,491)
Capital lease agreement (long-term debt recorded as an other financing source at the fund level)	(25,905)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	<u>24,430</u>
Change in net assets of governmental activities	<u><u>\$ 164,676</u></u>

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	Business-type activities - Enterprise funds		
	Sewer fund	Water fund	Total
CURRENT ASSETS:			
Cash	\$ 453,971	\$ 73,345	\$ 527,316
Cash held in trust with Livingston County	319,504	-	319,504
Receivables:			
Accounts	22,023	13,856	35,879
Special assessment - interest	232,563	-	232,563
Special assessment - current	483,535	-	483,535
Due from other funds	-	7,913	7,913
TOTAL CURRENT ASSETS	1,511,596	95,114	1,606,710
NONCURRENT ASSETS:			
Deferred charges:			
Unamortized bond discounts	79,300	-	79,300
Special assessment	7,061,378	-	7,061,378
TOTAL NONCURRENT ASSETS	7,140,678	-	7,140,678
PROPERTY, PLANT AND EQUIPMENT, net of			
accumulated depreciation	9,666,696	1,068,697	10,735,393
TOTAL ASSETS	18,318,970	1,163,811	19,482,781
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	99,755	3,656	103,411
Accrued interest	27,589	-	27,589
Contract retainers payable	86,714	-	86,714
Current portion of capital lease	510,000	-	510,000
Due to other funds	232,335	261,867	494,202
TOTAL CURRENT LIABILITIES	956,393	265,523	1,221,916
LONG-TERM LIABILITIES, net of current portion:			
Capital lease	7,465,000	-	7,465,000
TOTAL LIABILITIES	8,421,393	265,523	8,686,916
NET ASSETS:			
Invested in capital assets net of related debt	1,770,996	1,068,697	2,839,693
Unrestricted	8,126,581	(170,409)	7,956,172
TOTAL NET ASSETS	\$ 9,897,577	\$ 898,288	\$ 10,795,865

See notes to financial statements.

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2008**

	Business-type activities - Enterprise funds		
	Sewer fund	Water fund	Total
OPERATING REVENUES:			
Charges for services	\$ 77,086	\$ 48,008	\$ 125,094
Other	-	7,517	7,517
Total operating revenues	77,086	55,525	132,611
OPERATING EXPENSES:			
Costs of sales and services	84,209	49,907	134,116
Depreciation	94,056	31,238	125,294
Total operating expenses	178,265	81,145	259,410
Operating loss	(101,179)	(25,620)	(126,799)
NON-OPERATING REVENUES (EXPENSES):			
Special assessments - contributed capital	409,314	-	409,314
Investment income - net	29,571	1,358	30,929
Interest and fiscal charges	(347,598)	-	(347,598)
Bond discount amortization	(4,865)	-	(4,865)
Total non-operating revenues - net	86,422	1,358	87,780
Change in net assets	(14,757)	(24,262)	(39,019)
NET ASSETS, beginning of year	9,912,334	922,550	10,834,884
NET ASSETS, end of year	<u>\$ 9,897,577</u>	<u>\$ 898,288</u>	<u>\$ 10,795,865</u>

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

	Business-type activities - Enterprise		
	Sewer fund	Water fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 80,737	\$ 54,233	\$ 134,970
Other	-	7,517	7,517
Payment to suppliers	(84,209)	(46,251)	(130,460)
Payment (receipts) for interfund services	(59,208)	59,208	-
Net cash provided (used) in operating activities	(62,680)	74,707	12,027
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest received from special assessments	424,203	-	424,203
Receipt of payment from county trust account	314,451	-	314,451
Proceeds (payments) from special assessments	483,535	-	483,535
Principal repayments on debt	(510,000)	-	(510,000)
Interest (paid) earned on bonds and land contract	(349,032)	-	(349,032)
Payments for capital acquisitions	(378,892)	-	(378,892)
Net cash provided by capital and related financing activities	(15,735)	-	(15,735)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received from investments	29,571	1,358	30,929
NET INCREASE (DECREASE) IN CASH	(48,844)	76,065	27,221
CASH:			
Beginning of year	502,815	(2,720)	500,095
End of year	\$ 453,971	\$ 73,345	\$ 527,316

See notes to financial statements.

**TOWNSHIP OF HANDY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

	Business-type activities - Enterprise		
	Sewer fund	Water fund	Total
Operating loss	\$ (101,179)	\$ (25,620)	\$ (126,799)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	94,056	31,238	125,294
(Increase) decrease in assets:			
Receivables	3,651	6,225	9,876
Due to/from other funds-net	(59,208)	59,208	-
(Increase) decrease in liabilities:			
Payables	-	3,656	3,656
Net cash provided (used) in operating activities	<u>\$ (62,680)</u>	<u>\$ 74,707</u>	<u>\$ 12,027</u>

**TOWNSHIP OF HANDY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008**

	Trust and agency	Planning and zoning escrow	Tax collection fund	Total fiduciary funds
ASSETS				
ASSETS:				
Cash	\$ 5,923	\$ 31,088	\$ 2,456	\$ 39,467
LIABILITIES				
LIABILITIES:				
Due to other local units of government	\$ 5,923	\$ 26,197	\$ 2,456	\$ 34,576
Contractors payable	-	4,891	-	4,891
TOTAL LIABILITIES	\$ 5,923	\$ 31,088	\$ 2,456	\$ 39,467

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Handy (Township) was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Livingston County, and is governed by a five member elected board. The Township provides the following services to its residents; public safety (fire), public improvements (streets, sewers, water system, lighting), planning and zoning, and general administrative services.

In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

Joint Operations

The Township, in conjunction with the Townships of Conway and Iosco and the Village of Fowlerville, have entered into an agreement that created the Fowlerville Area Fire Authority. The Fire Authority is composed of one (1) member from each of the member municipalities.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as claims and judgments, are recorded only when payment is due.

Licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *water and sewer funds* are used to account for the results of operations that provide a service to citizens that are financed primarily by user charges for the provision of that service.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Additionally, the government reports the following fund type:

Debt service fund - The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt. The Township's only current debt service fund relates to the Fire Station.

Additionally, the government reports as fiduciary funds the tax collection fund, trust and agency, and planning and zoning escrow (agency funds).

The *tax collection fund* is utilized to account for the Township's collection of taxes for other governmental units.

The *trust and agency fund* accounts for the collection of delinquent taxes for other governmental units and performance bonds.

The *planning and zoning escrow fund* accounts for collection of zoning permits and the expenses related to the permit.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for water, sewer and engineering services between the water and sewer funds and other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. The funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Concluded)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” and are all current. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts receivable in the proprietary funds do not have an allowance for uncollectibles. Delinquent amounts are determined on an individual basis and will be taken to court to enforce collection and as a consequence, no allowance is deemed necessary at this time.

E. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and utility systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful live:

<u>Assets</u>	<u>Years</u>
Buildings and building equipment	20 - 50
Water and sewer systems	50
Furniture and equipment	3-5

TOWNSHIP OF HANDY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to June 1 of each year, a proposed budget is submitted to the Township Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE - BUDGETS (Concluded)

2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Township Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 3 - CASH DEPOSITS - CREDIT RISK

As of June 30, 2008, the Township had no investments as defined by accounting principles generally accepted in the United States of America.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2008, \$1,223,114 of the Township's bank balance of \$1,328,824 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and fiduciary funds are included in the above totals. The Township also has an additional \$319,504 of cash held in a trust at Livingston County. This amount is not included in the above totals. The book balance is as follows:

Deposits, including agency funds of \$39,467	\$ 1,284,565
Cash held in trust at Livingston County	319,504
Investments - certificate of deposits	<u>12,750</u>
	<u><u>\$ 1,616,819</u></u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH DEPOSITS - CREDIT RISK (Concluded)

The above amounts are reported in the financial statements as follows:

Cash - fiduciary funds	\$ 39,467
Cash - township wide	1,245,098
Cash held in a trust at Livingston County	319,504
Investments - township wide	<u>12,750</u>
	<u><u>\$ 1,616,819</u></u>

NOTE 4 - CAPITAL ASSETS

The capital assets are as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Primary government:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets, being depreciated:				
Buildings and building equipment	705,741	77,088	-	782,829
Furniture and equipment	<u>129,047</u>	<u>25,905</u>	<u>-</u>	<u>154,952</u>
Total capital assets, being depreciated	<u>834,788</u>	<u>102,993</u>	<u>-</u>	<u>937,781</u>
Less accumulated depreciation for:				
Buildings and building equipment	115,047	23,386	-	138,433
Furniture and equipment	<u>101,547</u>	<u>12,371</u>	<u>-</u>	<u>113,918</u>
Total accumulated depreciation	<u>216,594</u>	<u>35,757</u>	<u>-</u>	<u>252,351</u>
Total capital assets, being depreciated, net	<u>618,194</u>	<u>67,236</u>	<u>-</u>	<u>685,430</u>
Total	<u><u>\$ 638,194</u></u>	<u><u>\$ 67,236</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 705,430</u></u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (Concluded)

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Primary government:				
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 4,996,998	\$ 275,640	\$ -	\$ 5,272,638
Capital assets, being depreciated:				
Equipment	24,975	-	-	24,975
Water system	1,145,667	-	-	1,145,667
Sewer system	4,702,782	61,249	-	4,764,031
Total capital assets, being depreciated	5,873,424	61,249	-	5,934,673
Less accumulated depreciation for:				
Equipment	11,794	8,325	-	20,119
Water system	58,913	22,913	-	81,826
Sewer system	275,917	94,056	-	369,973
Total accumulated depreciation	346,624	125,294	-	471,918
Total capital assets, being depreciated, net	5,526,800	(64,045)	-	5,462,755
Total	\$ 10,523,798	\$ 211,595	\$ -	\$ 10,735,393

Depreciation expense was charged to functions/programs of the primary government at June 30, 2008 as follows:

Governmental activities:	
General government	\$ 35,757
Business type activities:	
Water	\$ 31,238
Sewer	94,056
Total depreciation expense - business-type activities	\$ 125,294

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2008 is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Amount</u>	<u>Payable fund</u>	<u>Amount</u>
General	\$ 486,289	Water fund	\$ 261,867
Water fund	<u>7,913</u>	Sewer fund	<u>232,335</u>
	<u><u>\$ 494,202</u></u>		<u><u>\$ 494,202</u></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The general fund expects to collect in the subsequent year.

NOTE 6 - LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities for the fire hall. The original amount of general obligation bonds issued in prior years was \$400,000.

Capital Lease

The government entered into a capital lease for two new copiers. The original amount of the lease was \$25,905

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 15-year serial bonds with differing amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>
Government activities	4.45% - 4.70%	<u>\$ 310,000</u>

The capital lease will be paid over 5 years. The capital lease outstanding at June 30, 2008 is as follows:

<u>Purpose</u>	<u>Amount</u>
Two new copiers	<u>\$ 21,475</u>

Annual debt service requirements to maturity for general obligation bonds and the capital lease are as follows:

<u>Year ending June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,369	\$ 13,409
2010	30,369	12,296
2011	30,369	11,184
2012	35,368	9,960
2013	30,000	8,625
2014 - 2018	<u>175,000</u>	<u>21,036</u>
	<u>\$ 331,475</u>	<u>\$ 76,510</u>

TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LONG-TERM DEBT (Continued)

The Township entered into two capital leases with Livingston County for the sewer systems. The capital leases outstanding at June 30, 2008 are as follows:

Purpose	Interest rates	Amount
2003 sewer system	2.70% - 4.75%	\$ 3,445,000
2005 sewer disposal	4.00% - 4.50%	4,530,000
		<u>\$ 7,975,000</u>

The total interest expense on the capital leases amounted to \$347,598 at June 30, 2008.

The future minimum lease obligations as of June 30 were as follows:

Year ending June 30,	Business-type activities	
	Principal	Interest
2009	\$ 510,000	\$ 331,066
2010	510,000	312,871
2011	510,000	293,941
2012	510,000	274,399
2013	510,000	254,366
2014 - 2018	2,550,000	960,723
2019 - 2023	2,335,000	411,723
2024 - 2025	540,000	36,180
	<u>\$ 7,975,000</u>	<u>\$ 2,875,269</u>

**TOWNSHIP OF HANDY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM DEBT (Concluded)

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 330,000	\$ -	\$ 20,000	\$ 310,000	\$ 25,000
Capital lease	-	25,905	4,430	21,475	5,381
Total governmental activities	330,000	25,905	24,430	331,475	30,381
Business-type activities:					
Capital lease	8,485,000	-	510,000	7,975,000	510,000
	<u>\$ 8,815,000</u>	<u>\$ 25,905</u>	<u>\$ 534,430</u>	<u>\$ 8,306,475</u>	<u>\$ 540,381</u>

NOTE 7 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district, community college and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The Township is permitted by state statute to levy taxes up to \$1.30 per \$1,000 of taxable valuation for general government services other than the payment of principal and interest on long-term debt. In addition, the residents of the Township have approved an additional \$1.00 per \$1,000 specifically for the road improvements. The Township levied \$.8696 per \$1,000 for general governmental purposes and \$1.00 per \$1,000 for the road improvements for a total of \$1.8696 per \$1,000.

TOWNSHIP OF HANDY NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2008.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

As the close of the fiscal year ending June 30, 2008, the Township was involved in two lawsuits pertaining to the sewer extension project. Currently the lawsuits are in negotiations for a settlement. At the close of the fiscal year end a settlement has not been reached thus a monetary amount could not be determined and a contingent liability was not booked.

NOTE 9 - NATURE AND PURPOSE OF DESIGNATIONS OF FUND BALANCE

Designations in the general fund exist for subsequent year expenditures and prepaid expenditures.

NOTE 10 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 11 - SUBSEQUENT EVENT

Subsequent to fiscal year ending June 30, 2008 the Township took a loan from Livingston County in the amount of \$160,000 to cover the additional costs incurred on the sewer system extension. The loan carries an interest rate of 4.11%.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF HANDY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Taxes	\$ 509,000	\$ 509,000	\$ 592,758	\$ 83,758
Licenses and permits	10,000	10,000	13,610	3,610
Charges for services	2,004	2,004	2,111	107
Investment earnings	6,000	6,000	36,436	30,436
Rental income and royalties	10,000	10,000	9,745	(255)
Other	150,000	150,000	32,466	(117,534)
State shared revenue	260,000	260,000	279,848	19,848
Total revenues	947,004	947,004	966,974	19,970
EXPENDITURES:				
Current:				
General government:				
Legislative - trustees	66,000	67,550	42,302	25,248
Manager	50,000	50,000	28,469	21,531
Supervisor	25,300	25,300	25,072	228
Board of review	3,000	3,000	2,533	467
Assessing	63,000	63,187	62,187	1,000
Clerk	45,300	45,300	42,915	2,385
Treasurer	45,700	48,669	44,582	4,087
Township hall and grounds	191,200	227,922	201,192	26,730
General administration	56,000	56,594	42,128	14,466
Cemetery	2,000	2,000	1,400	600
Elections	16,600	16,600	7,577	9,023
Total general government	564,100	606,122	500,357	105,765
Public works:				
Sanitary land fill	5,000	5,000	-	5,000
Water and sewer systems	100,000	100,000	13,118	86,882
Streets and highways	257,000	266,931	237,382	29,549
Street lighting	500	500	292	208
Total public works	362,500	372,431	250,792	121,639

TOWNSHIP OF HANDY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget- positive (negative)</u>
EXPENDITURES (Concluded):				
Current (Concluded):				
Community and economic development:				
Planning commission	\$ 96,500	\$ 96,500	\$ 36,912	\$ 59,588
Zoning board	32,500	32,545	25,235	7,310
Board of appeals	500	500	3,192	(2,692)
Economic development	8,000	8,000	8,000	-
Total community and economic development	<u>137,500</u>	<u>137,545</u>	<u>73,339</u>	<u>64,206</u>
Culture and recreation:				
Parks and recreation	<u>28,000</u>	<u>28,000</u>	<u>27,189</u>	<u>811</u>
Other:				
Payroll taxes	16,000	17,050	17,113	(63)
Contingencies	50,000	10,551	-	10,551
Insurance	<u>15,000</u>	<u>27,305</u>	<u>15,102</u>	<u>12,203</u>
Total other	<u>81,000</u>	<u>54,906</u>	<u>32,215</u>	<u>22,691</u>
Total expenditures	<u>1,173,100</u>	<u>1,199,004</u>	<u>883,892</u>	<u>315,112</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease agreement	-	25,905	25,905	-
Operating transfer out	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Total other financing sources	<u>(25,000)</u>	<u>905</u>	<u>25,905</u>	<u>25,000</u>
Net change in fund balance	<u>\$(251,096)</u>	<u>\$(251,095)</u>	<u>108,987</u>	<u>\$ 360,082</u>
FUND BALANCE:				
Beginning of year			<u>964,897</u>	
End of year			<u>\$ 1,073,884</u>	



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Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

December 18, 2008

To the Board of Trustees
Township of Handy

In planning and performing our audit of the financial statements of the Township of Handy as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Handy's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

CURRENT YEAR COMMENTS

Segregation of Duties

A strong system of internal control provides for a proper segregation of the core accounting functions. The Township does not have the proper segregation of duties over cash receipts, cash disbursements, and bank reconciliations. We recommend that management review the current assignment of accounting functions and where possible segregate duties to reduce the risk of errors or fraud.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

PRIOR YEAR COMMENTS

Accounting Expertise

The Statement on Auditing Standards #112 titled, *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit. We would expect this comment to continue from year-to-year. We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Journal Entries

During the course of our audit, several journal entries were made to the Township's financial statements which had a material effect on the Township's financial reporting. The Township should continue to work on the accuracy of reconciliations for all significant accounts, paying close attention to proper cut-off. We believe that a review and evaluation of transactions and formalized monthly closing procedures will expedite the month-end closing and improve interim reporting. A formalized month end procedures checklist should be implemented and reviewed monthly.

CURRENT YEAR COMMENTS

Cash and Bank Reconciliation Duties

Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of office employees, we recommend that test reconciliations be made from time to time by one of the officers. In addition, he or she should review, approve, and sign the bank reconciliation each month. In addition, an individual not responsible for the bank reconciliation should receive the bank statements unopened and review cancelled checks for propriety. The person performing the bank reconciliation should also review the cancelled checks for proper payee, signature and amount.

As the clerk records deposits from the pre-numbered receipt book, a review should be done for sequence of receipts to ensure all receipts are recorded and deposited.

Tax Disbursements

During the course of the audit we noticed the Township incorrectly disbursed tax payments of \$507,225.51 to another taxing authority in which should have gone to the State of Michigan. The funds were received back and disbursed to the State of Michigan by the end of the fiscal year.

We recommend that the Township closely monitors payments to other taxing authorities to ensure each authority receives the correct amount of tax allocation.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 18, 2008 on the financial statements of the Township of Handy. Our comments are summarized as follows:

PRIOR YEAR COMMENTS

Excess Budget Expenditures

During the course of our audit it was noted that board of appeals and payroll taxes exceeded the adopted budgets by \$2,692 and \$63, respectively. If expenditures are to exceed budgeted amounts the budget must be amended. The amendment must be approved by the Board prior to the expenditure being made. There is no authority to amend the budget after year end.

Employee Expense Reimbursements

During our audit procedures, it was noted that the Clerk and Deputy Clerk approved there own payroll/expense reimbursement checks. We recommend that a Board member or another authorized signor approve these expenses other than the Clerk and Deputy Clerk. This will improve the internal controls over the employee expense reimbursement process.

Accounting and Procedures Manual

Currently there is no accounting and procedures manual. The Township should develop a procedure manual to assist in recording of transactions. A manual will ensure that in a case of employee turnover the operations and procedures in recording transactions remain consistent.

Employee Dishonesty Coverage

You should review the coverage of employee dishonesty insurance and assess the cost benefit of increasing the limits and individuals covered.

CURRENT YEAR COMMENTS

Timely Deposits

During our audit it was noted that daily cash receipts are not deposited in a timely manner. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment. We recommend that deposits be made at least on a weekly basis both to improve cash flow and to reduce the risk of loss.

Uninsured Bank Deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. The limits as of December 15, 2008 are \$250,000 for demand deposits (checking) and \$250,000 for time deposit accounts (savings/certificates of deposits). The Township may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the Township's investment policy to ensure it continues to satisfy the Township's goals.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of the Township of Handy, management, and others within the Township, and is not intended to be used and should not be used by anyone other than those specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costensen & Ellis, P.C.



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December 18, 2008

To the Board of Trustees
Township of Handy

We have audited the financial statements of the Township of Handy for the year ended June 30, 2008, and have issued our report thereon dated December 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated November 7, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Handy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated fixed asset lives for depreciation and the allocation of expenses among the various funds.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements noted.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In our judgment, several of the adjustments we proposed either individually or in the aggregate, indicate matters that could have a material effect on the Township's financial reporting process. Management has approved all adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Township’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of the Township of Handy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costantini & Ellis, P.C.